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June 13, 1996

JUN 14 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Ex Parte Presentation in CC Docket No. 96-98

Dear Mr. Caton:

Two copies of this ex parte notice are submitted pursuant to Section 1.1206(a) of the Commission's rules. Today, Marlin Ard and Lee Bauman of Pacific Telesis met with David Sieradzki, Steve Weingarten, Anthony Bush, Dana Bradford and William Sharkey concerning the above-captioned proceeding. During that meeting, Pactel provided the attached written documents, which contain working draft materials, at the request of staff for their use.

Please let me know if you have any questions.

Sincerely,



Gregory J. Vogt
Counsel for Pacific Telesis
Group

Enclosures

cc (w/enc.): David Sieradzki
Steve Weingarten
Anthony Bush
Dana Bradford
William Sharkey

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PRICING RULES FOR INTERCONNECTION, NETWORK ELEMENTS AND COLLOCATION

1. Conclude that states may arbitrate prices based on forward-looking costs, but must include a reasonable (non-zero) contribution to actual joint and common costs
- Conclude that California guidelines fall within this standard ("safe harbor")
 - Leave choice of methods and procedures to private negotiation and the states
 - Allow use of either cost proxy models or studies
 - Require that costs be verifiable
 - + Based on actual engineering and operating practices which LEC expects to use, given the current network topology, history, marketing plans and expected demand
 - + Any party that wants to exclude costs from LEC model bears burden of demonstrating reason (e.g., imprudence)
 - Allow embedded costs to be used as a guide to test reasonableness of prices, but not as a price determinant
2. Conclude that LECs are entitled under the Act to recover a reasonable profit in addition to cost of capital
3. Allow a range of pricing flexibility for negotiations that is presumed reasonable because individual prices in any market will vary more than the price of a bundle of services
- Grocery basket of items will vary in cost less than the individual items in the basket
 - Negotiated prices trade both on one price for another and on price for nonprice considerations
 - The range should be TSLRIC to access charges (including CCLC and TIC during transition) converted to a pricing unit comparable to that used in network element pricing
4. Pricing of unbundled elements will affect universal services, particularly when regulation has set retail prices below cost to promote universal service. In this case:
- The seller of the network element should receive the subsidy and the customer would pay the below-cost rate, or
 - The seller of the network element should receive the cost-supported rate and the universal subsidy should be available to a qualified buyer
 - The cost information used should be reasonably disaggregated to take into account important cost determinants such as distance, density and terrain.

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INTERCONNECTION AGREEMENTS

ISSUES	AMERITECH - MFS	BELL ATLANTIC - JONES	PACIFIC BELL - MFS	BELLSOUTH - TIME WARNER
LINK - RECURRING	\$6.95 - \$34.20; ADDITIONAL CHARGE FOR ISDN	\$13.88 - \$18.30 \$12.15 - \$14.74 (TARIFF - BUS ONLY)	\$12.50 - \$29.25	PENDING
LINK TYPES	ANALOG, DIGITAL, 2 WIRE, 4 WIRE, ISDN, ADSL, HDSL	ANALOG 2 WIRE	ANALOG 2 WIRE, ISDN	PENDING
LINK NON-RECURRING (N/R)	\$65 (BUS AND RES); ISDN EXTRA CHARGE	\$80; OPT COORD CUT OVER (\$46)	\$70.75 - \$200 (\$100 FOR EACH ADDITIONAL)	PENDING
CALL TERMINATION	LOCAL - \$.009 END OFFICE & TANDEM; TOLL - SW ACC; TRANSIT - \$.002	LOCAL - \$.007 END OFFICE \$.009 TANDEM; TRANSIT - \$.001-.002; TOLL - SW ACC	LOCAL - \$.0075; TOLL - SW ACC; TRANSIT - \$.0065	6 MO BILL AND KEEP; \$.01 WHEN OUT OF BALANCE; TRANSIT, MUT EXCH; TOLL, SW ACC
PORTS (UNBUNDLED SWITCHING)	YES, PER TARIFF	YES (\$1.50); DISCOUNT ON USAGE	NOT COVERED	PENDING
COLLOCATION	YES, PER TARIFF	YES, PER TARIFF	YES, PER TARIFF	
RESALE	YES, % DISCOUNT	YES, 6%-9% DISCOUNT	NOT COVERED	% DISCOUNT PENDING
INTERIM NUMBER PORTABILITY	RECURRING, \$3 PER # N/R \$35 - \$85	RECURRING, \$3 PER # N/R \$6/SERVICE ORDER (CCL FLOW THRU)	RECURRING, \$3.25 PER # - \$1.94 PER # N/R \$4 - \$31.75	RECURRING, \$1.15 - \$2.25 N/R NO CHARGE
UNBUNDLED ELEMENTS, BONA FIDE REQUEST	YES, 90 DAYS	YES, 135 DAYS	NOT COVERED	